

**2015 - U.S. Annual Report to the Kimberley Process**  
*As of March 2016*

This annual report is submitted to the Working Group on Monitoring on behalf of the United States. The report was prepared by the United States Department of State, in conjunction with representatives from other U.S. government agencies.

Pursuant to the Administrative Decision on Procedures for Respecting Confidentiality within the Kimberley Process (KP) adopted in November 2010, the United States does not wish to identify any statement or element of this report as “KP ONLY.” Thus, the United States requests that this report be published on the public-facing portion of the KP website. It will also be made available on the U.S. Department of State website devoted to the KP and United States KP implementation: <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.htm>

**A. INSTITUTIONAL FRAMEWORK**

In 2003, the Clean Diamond Trade Act (Public Law 108-19) (CDTA) established a Kimberley Process Implementation Coordinating Committee to coordinate implementation of the CDTA. This U.S. government interagency committee includes officials from the United States Department of State, the United States Department of the Treasury, the United States Department of Commerce, the United States Department of Homeland Security, and the Office of the United States Trade Representative. Provisions of the CDTA are carried out by several U.S. government agencies and the private U.S. Kimberley Process Authority (USKPA). U.S. entities involved in implementation of the CDTA and points of contact include:

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## **B. LEGAL FRAMEWORK**

The CDTA provides the legal framework pursuant to which the United States implements the Kimberley Process Certification Scheme (KPCS); see <http://www.gpo.gov/fdsys/pkg/BILLS-108hr1584enr/pdf/BILLS-108hr1584enr.pdf>. The CDTA is further implemented by Executive Order 13312 (July 29, 2003). Pursuant to this Executive Order, the Department of the Treasury's Office of Foreign Assets Control (OFAC) issued the Rough Diamonds Control Regulations, on September 23, 2004 (31 CFR Part 592). The regulations have subsequently been amended, most recently on July 1, 2012. The complete text of the Regulations can be accessed at: <http://www.gpo.gov/fdsys/pkg/CFR-2012-title31-vol3/pdf/CFR-2012-title31-vol3-part592.pdf>

The Census Bureau issued regulations on Automated Export System (AES) reporting requirements for rough diamond shipments in October 2003 (15 CFR Part 30), but these were amended most recently on March 14, 2013. The complete text of the Regulations can be accessed at <http://www.census.gov/foreign-trade/regulations/index.html>. Updated lists of KP Participants are published periodically in the U.S. Federal Register. U.S. Customs and Border Protection (CBP) of the Department of Homeland Security issued a Final Notice in 2013 that implemented regulations on the prohibitions and conditions applicable to the importation and exportation of rough diamonds. Additional information about this Notice is included in Section C below.

For more information on the legal framework for U.S. implementation of the KP, see <http://www.state.gov/e/eb/tfs/tfc/diamonds/index.htm>.

## **C. IMPORT AND EXPORT REGIMES**

While CBP is the principal interdiction agency in the United States for the KP and the CDTA, primary investigative responsibilities and duties are the responsibility of U.S. Immigration and Customs Enforcement, Office of Homeland Security Investigations (ICE/HSI).

The vast majority of rough diamonds imported into the United States enter into the territory covered by CBP's New York Field Office. In 2015, CBP and headquarters personnel traveled to New York City and met with local CBP staff and the Gemological Institute of America (GIA) to discuss diamond training and laboratory capabilities.

CBP receives numerous requests for information from prospective importers and the public about KP requirements, including requests to review KP Certificates for authenticity. CBP works with the Department of State to provide feedback to the prospective importer. CBP was able to prevent importers from making purchases that involved fraudulent certificates on at least fourteen occasions and referred those matters to Immigration and Customs Enforcement (ICE) for possible investigation.

Jewelry and gem investigations can be extremely complex and require a specialized knowledge of the jewelry industry and how it operates from mine to market, including an in-depth understanding of the modus operandi of sophisticated criminal enterprises, criminal tradecraft, the fencing process, the retail jewelry industry, the language of diamonds/gems, the Kimberley Process, and the flow of diamonds and gems from the mine to the market. Specific knowledge as it relates to the identification of diamonds and gems, how value is determined, how stones are graded and tracked, identification of precious metals, hallmarking of jewelry and watch identification are just a few of the skills taught in a specialized training course provided by the Gemological Institute of America (GIA). Most importantly, the specialized training course offers valuable networking opportunities with public and private sector officials.

During 2015, CBP staff obtained additional in-depth training on jewelry and gemstones to enhance their expertise, including training on rough diamonds through the special United States Federal Bureau of Investigation (FBI) course for law enforcement officials at the GIA in New York, New York. CBP also reached out to the GIA laboratory and diamond and jewelry companies in New York in order to make new industry contacts and to increase awareness of the KP requirements.

In 2015, the FBI and the GIA collaborated to provide specialized, world-class training to law enforcement officials involved in investigating jewelry-related crimes. Past attendees included members of the FBI, ICE/HSI, U.S. local police departments, and foreign law enforcement officials from Europe, Asia and Africa. One course was held in 2015 at GIA in Dubai, UAE. In Dubai, attendees included law enforcement officials from Dubai Customs and Dubai Police, along with the FBI. The two-week specialized training course in Dubai was designed and developed by the FBI and GIA specifically for the international law enforcement community. This training is the only training of its kind in the world. The FBI and GIA plan to conduct specialized gemology courses on an annual basis if funding is available.

The U.S. Department of the Treasury's Internal Revenue Service (IRS) Small Business/Self Employed Division, under the examination authority delegated by the Financial Crimes Enforcement Network (FinCEN), continues to examine dealers in precious metals, precious stones, and jewels for violations of the Bank Secrecy Act under 31 CFR Part 1027. In conjunction with the IRS, FinCEN takes a risk-based and research-driven approach to identifying targets for examination. In 2015, FinCEN continued the approach they developed in 2014 to increase targeted examinations in the precious metals, precious stones, and jewels sectors based on data-driven research by its Intelligence Division. In 2015, FinCEN had their first enforcement action for violating the precious metals, stones, or jewels (PMSJ) regulations under 31 CFR 1027 against B.A.K. Precious Metals, Inc. and its owners Bogos and Arman Karoglanyan. Additional information on the action can be found here:

[https://www.fincen.gov/news\\_room/ea/files/20151230.pdf](https://www.fincen.gov/news_room/ea/files/20151230.pdf).

### **Outgoing Shipments**

The U.S. system provides that the Census Bureau of the U.S. Department of Commerce, as the KP Exporting Authority, publish export reporting requirements for all shipments of rough diamonds. Shipment information must be reported to the Census Bureau through the Automated Export System (AES) or a successor system. The Internal Transaction Number (ITN) generated by the AES that is assigned to a shipment confirms that the Electronic Export Information was accepted and is on file in the AES. The ITN must be documented on the U.S. KP Certificate, which completes the validation process for the exportation of rough diamonds from the United States, per federal regulations 31 CFR 592.301.

The USKPA provides KP Certificates for rough diamond exports. It issued a new version of the U.S. KP Certificate (including a line for country of origin) that replaced the old certificates in November 2014. As of 2015, all old certificates have been removed from the system and related data has been reconciled.

The USKPA currently has licensing agreements with 17 entities that are allowed to issue KP certificates. Four firms are customs brokers and can issue KP Certificates to third parties. Several licensees undergo on-site performance reviews each year and all licensees should be reviewed within a specified time period. The results of the reviews are included in the "Annual Review of the Practices and Procedures of the USKPA" report, which is sent to the Department of State and is included in the Department's report to the U.S. Congress in July of each year. The USKPA also

maintains a database used by licensees to immediately report issuance of KP certificates.

The Department of State, which also visits licensees, visited ten licensees during 2015 to review their procedures and recommend improvements. In 2015, the Department of State also undertook additional actions to ensure the effectiveness of the database containing information related to the KP Certificates and other information concerning licensees.

Throughout 2015, the Department of State continued to convene meetings and teleconferences on an ongoing basis with USKPA representatives and its licensees to provide an opportunity for U.S. government agencies to communicate concerns or guidance directly to exporters, as well as to respond to questions and requests for information posed by the exporting community. These calls produce important compliance discussions and help enable closer coordination with, and oversight of, the rough diamond exporters.

To complement existing activities, the Department of Homeland Security, through CBP, continues to conduct examinations of targeted rough diamond export shipments. In 2015, CBP conducted four inspections of outbound shipments.

### **Incoming Shipments**

CBP is the Importing Authority responsible for implementing, enforcing, and monitoring provisions of the CDTA.

CBP headquarters issues guidance to field personnel when any KP-related risk is identified or when KP regulations and/or membership changes. In 2015, CBP issued one notice to field personnel on changes and/or risks. In May 2015, a notice was provided to field personnel with an updated list of KP Participants and a library of KPCS certificates to serve as a resource.

During 2015, CBP reviewed the documentation for all rough diamond shipments presented and conducted 31 physical inspections of inbound shipments. CBP made three seizures, described in Section G below.

CBP cooperates with the Department of State and the Census Bureau to reconcile trade statistics for imported rough diamonds shipments. CBP has developed an internal database to review trade data for anomalies prior to the information being shared.

CBP conducted additional post-importation follow up/research on two shipments related to rough diamonds.

#### **D. SYSTEM OF INTERNAL CONTROLS AND INDUSTRY SELF-REGULATION**

In order to strengthen implementation of the KP, the U.S. diamond industry has implemented a system of warranties for rough and polished diamonds and jewelry containing diamonds. Under this system, all buyers and sellers of rough and polished diamonds make the following statement on their invoices:

“The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions. The seller hereby guarantees that these diamonds are conflict free, based on personal knowledge and/or written guarantees provided by the supplier of these diamonds.”

Several major U.S.-based jewelry retailers publish policies on conflict diamonds and responsible sourcing on their websites. U.S. jewelry trade associations, such as Jewelers of America and the newly formed U.S. Jewelry Council, have developed codes of conduct that list member obligations regarding compliance with the KP and responsible sourcing protocols. The Department of State strongly supports and promotes industry’s enhanced due diligence and related voluntary efforts.

To promote KP compliance and awareness, officials from the Department of State, CBP, and the Census Bureau contacted and visited numerous diamond companies and industry groups during 2015 to discuss the KP, industry’s internal compliance efforts, enhanced vigilance beyond KP minimum standards, and other related issues. The U.S. also continued its review of the Clean Diamond Trade Act and implementing regulations in furtherance of findings from the 2012 KP Annual Review. The U.S. State Department supported the work of United Nations’ expert panels mandated to investigate illicit trafficking of natural resources, including diamonds, and UN and U.S. sanctions were applied in some circumstances related to the illicit trafficking of diamonds in violation of UN sanctions.

In 2015, the State Department also supported the U.S. diamond industry’s efforts to increase transparency in the diamond and jewelry sector including by attending the OECD’s 9th Forum on Responsible Mineral Supply Chains, presenting at a Chatham House event on anti-money laundering practices across luxury industries,

and participating in various industry events and meetings. Finally, in 2015, planning commenced for the establishment of a U.S. diamond trafficking law enforcement group and a conference on threats and vulnerabilities to the diamond supply chain.

#### **E. STATISTICS**

On January 1, 2009, the United States assumed the Chair of the KP's Working Group on Statistics (WGS). The United States continues to look for a successor for the role of WGS Chair. In its capacity as Chair, the United States provides direct leadership to the efforts of the WGS to improve the submission and analysis of statistical data. This position is delegated to the Census Bureau, which continues to maintain the website it constructed to host the global KP statistical data and works to develop other functionalities necessary for to the WGS. These include the adoption of a new Administrative Decision concerning KP data; the development of eleven new enhancements to the KP Rough Diamond Website; the development of a new "statistical anomalies" process; the methodology for the preparation, review, the analysis of KP statistical data; and the adoption of the revised Terms of Reference for the WGS. The U.S. Geological Survey (USGS) also conducts reviews of statistical submissions from KP Participants as part of its technical assistance work.

In addition to its role as Chair of the WGS, the Census Bureau collects and posts U.S. rough diamond trade statistics on the KP website. In 2005, the Census Bureau issued a "Notice of Request for Faxed Submission of KP Certificates" requiring copies of all KP Certificates to be faxed to a toll-free number (1-800-457-7328). This notice of request was revised in 2007 to require the faxing of all KP Certificates immediately upon export of the shipment from the United States. In 2015, the Census Bureau introduced Accellion, a secure alternative method for submitting KP Certificates to the Census Bureau. The Census Bureau continues to reach out to U.S. importers and exporters who have not provided copies of KP Certificates to remind them of this requirement. This is done in order to verify the import and/or export KP statistics provided to the Census Bureau, Customs and Border Protection Agency and the USKPA. The Census Bureau continues to update prior years' statistics when additional information is received.

The Census Bureau continues to reconcile U.S. statistics with U.S. trading partners for 2012–2015. This process is on-going and any necessary changes are incorporated at a later date. As in previous years, during the reconciliation process that is based on CBP data and data provided by U.S. trading partners, the Census



Bureau uncovered several data discrepancies and contacted U.S. importers to verify information and to obtain KP Certificates. When discrepancies are identified, firms are contacted and efforts made to educate them on the legal obligations applicable to imports and exports of rough diamonds.

In 2015, instances when KP Certificates were not faxed to the Census Bureau involved low-carat weight and/or low-value shipment purchased through websites by one-time importers not generally used to trading in rough diamonds. These importers are usually not aware of applicable requirements. The Census Bureau communicates with them directly to inform them of the reporting procedure.

The Census Bureau conducted bilateral reconciliation with U.S. traders for the 2015 trade statistics with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, European Union, Ghana, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Mauritius, Mexico, Namibia, New Zealand, Norway, Panama, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, United Arab Emirates and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau also conducted bilateral reconciliation of trade statistics for 2014 with Armenia, Australia, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Lebanon, Liberia, Mauritius, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand, Turkey, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau conducted bilateral reconciliation of trade statistics for 2013 with Armenia, Australia, Belarus, Botswana, Brazil, Cameroon, Canada, People's Republic of China, Democratic Republic of the Congo, European Union, Guinea, Guyana, India, Indonesia, Israel, Japan, Republic of Korea, Liberia, Malaysia, Mexico, Namibia, New Zealand, Norway, Russian Federation, Sierra Leone, Singapore, South Africa, Sri Lanka, Switzerland, Tanzania, Thailand, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

The Census Bureau conducted bilateral reconciliation of trade statistics for 2012 with Armenia, Australia, Botswana, Brazil, Canada, People's Republic of China, Democratic Republic of the Congo, European Union, Ghana, Guinea, Guyana,

India, Israel, Japan, Republic of Korea, Lebanon, Liberia Malaysia, Mexico, Namibia, New Zealand, Russian Federation, Sierra Leone, Singapore South Africa, Switzerland, Thailand, Ukraine, United Arab Emirates, Vietnam, and the Rough Diamond Trading Entity of Chinese Taipei.

### OVERVIEW OF PRODUCTION – IMPORT – EXPORT DURING THE LAST 5 YEARS

Period	Production			Import			Export		
	Volume, cts	Value, US\$	US\$/ cts	Volume, cts	Value, US\$	US\$/ cts	Volume, cts	Value, US\$	US\$/ cts
2015*	0.00	\$0.00	\$0.0 0	1,685,189.5 3	\$266,462, 419.35	\$158.1 2	890,736.72	\$144,679,4 60.97	\$162.4 3
2014	0.00	\$0.00	\$0.0 0	4,131,680.3 6	\$593,977, 684.42	\$143.7 6	1,584,482.1 3	\$370,800,6 28.26	\$234.0 2
2013	0.00	\$0.00	\$0.0 0	3,718,589.7 1	\$587,008, 010.52	\$157.8 6	1,569,237.5 9	\$344,469,6 71.29	\$219.5 1
2012	0.00	\$0.00	\$0.0 0	3,141,594.5 2	\$513,952, 355.48	\$163.6 0	1,116,658.5 2	\$273,965,5 05.38	\$245.3 4
2011	0.00	\$0.00	\$0.0 0	3,747,067.4 6	\$675,922, 997.09	\$180.3 9	2,548,321.0 4	\$455,562,8 81.00	\$178.7 7

Source: Data from Participant's Statistical Tables from WGS Website

\* 2015 data is as of Q3 2015

2012-2015 data 02/22/2016

2011 data 07/13/2015

### OVERVIEW OF THE KPC COUNT FOR IMPORT – EXPORT DURING THE LAST 5 YEARS

KPC Counts			
Period	Import	Export	Total
2015*	763	787	1,550
2014	1,228	1,234	2,462
2013	1,343	1,261	2,604
2012	1,006	1,009	2,015
2011	1,253	1,568	2,821

Source: Data from Participant's Statistical Tables from WGS Website

\* 2015 data is as of Q3 2015

2012-2015 data: 02/22/2016

2011 data: 05/11/2015

## Exports

The United States is not a rough diamond producer. Since 2010, the Department of State has worked closely with Crater of Diamonds State Park in the state of Arkansas to ensure that visitors to the park who dig for rough diamonds know of the requirements of the CDTA and the KPCS. In 2015, the Department of State and the Census Bureau conducted an on-site field visit to the State Park and the Crater of Diamonds is considering possibilities to become a licensed exporter of rough diamonds.

U.S. exports are re-exports of rough diamonds imported from other KP Participants. The United States has submitted trade and KP certificate count data by Participant for Q1-Q3 2015. Q4 2015 statistics will be made available on March 31, 2016.

According to published Census Bureau statistics, rough diamond re-exports from the United States in 2015 totaled \$144.7 million – a decrease of 61 percent from the revised 2014 level of \$370.8 million. (See Table 1 below)

Table 1

<b>United States Exports 2015</b>			
<b>U.S. Trading Partners</b>	<b>Sum of Volume (Carats)</b>	<b>Sum of Value (US\$)</b>	<b>KPC Counts</b>
European Union	448,369.01	\$56,999,289.16	280
Israel	37,273.12	\$41,705,590.72	61
China, People's Republic of	20,957.05	\$8,906,143.66	29
South Africa	435.77	\$7,871,281.09	3
Japan	67,235.42	\$4,796,100.66	83
India	48,535.72	\$4,573,536.79	34
Armenia	15,969.78	\$4,041,847.03	18
Namibia	10,272.10	\$3,520,265.82	9
Switzerland	113.59	\$2,800,367.00	3
Thailand	2,293.13	\$2,146,713.38	4
United Arab Emirates	4,253.46	\$1,743,517.40	14
Canada	193,556.86	\$1,468,935.48	104
Singapore	410.64	\$1,326,144.30	4
Australia	45.92	\$907,126.49	6
Korea, Republic of	11,755.06	\$782,771.72	39
Mexico	12,735.43	\$520,669.60	79
Botswana	2,369.01	\$271,302.86	2
Chinese Taipei	2,456.09	\$94,406.76	4
Mauritius	40.23	\$80,460.00	1

Russian Federation	111.53	\$75,430.00	2
Brazil	1,637.90	\$26,921.55	2
Panama	9,875.00	\$14,812.50	1
New Zealand	10.17	\$5,332.00	1
Indonesia	10.90	\$320.00	2
Turkey	3.81	\$100.00	1
Norway	10.02	\$75.00	1
Totals	890,736.72	\$144,679,460.97	787

U.S. re-exports by value are primarily to three KP Participants: European Union, (\$56.9 million), Israel (\$41.7 million), and the People’s Republic of China (\$8.9 million), which totaled 74.4 percent of U.S. re-exports of rough diamonds in 2015. (See Table 2 below).

Table 2

<b>2015 Top Three KP Participant Exports by Value (US\$)</b>		
<b>Participants</b>	<b>Value</b>	<b>% of Total Value (US\$)</b>
European Union	\$56,999,289.16	39.4%
Israel	\$41,705,590.72	28.8%
China, People’s Republic of	\$8,906,143.66	6.2%
<b>Top Three total Value (US\$)</b>	<b>\$107,611,023.54</b>	<b>74.4%</b>
All Others Participants	\$37,068,437.43	25.6%
<b>Total US Exports 2014</b>	<b>\$144,679,460.97</b>	<b>100%</b>

Source: KPCS 02/22/2016

The top three Participant countries by export volume (carats) were the European Union (448,369.01, cts), Canada (193,556.86 cts) and Japan (67,235.42 cts). They represent 79.6 percent of the total export by volume (carats) of rough diamond shipments in 2015. (See Table 3 below).

Table 3

<b>2015 Top Three KP Participant Exports by Volume (carats)</b>		
<b>U.S. Trading Partner</b>	<b>Sum Value (US\$)</b>	<b>% of Total Volume (carats)</b>
European Union	448,396.01	50.3%
Canada	193,556.86	21.7%
Japan	67,235.42	7.5%
<b>Total Top 3 (volume)</b>	<b>709,161.29</b>	<b>79.6%</b>

All Other Participants	181,575.43	20.4%
<b>Grand Total</b>	<b>890,736.72</b>	<b>100%</b>

Source: KPCS 02/22/2016

Export rough diamond shipments are classified primarily under three schedule B codes. They are classified as 7102.10 (unsorted), 7102.21 (industrial) and 7102.31(non-industrial) diamonds. The table below reflects the commodity classification code breakout of the U.S. re-export of rough diamond statistics in 2014. (See Table 4 below).

Table 4

<b>2015 U.S. Export Commodity Classification</b>				
<b>HTS Code</b>	<b>Volume (Carats)</b>	<b>Value (US\$)</b>	<b>% of Total Exports Volume</b>	<b>% of Total Exports Value (US\$)</b>
7102.10	20,101.92	\$13,467,588.68	2.3%	9.3%
7102.21	559,790.58	\$29,261,628.18	62.8%	20.2%
7102.31	310,844.22	\$101,950,244.11	34.9%	70.5%
<b>Grand Total</b>	<b>890,736.72</b>	<b>\$144,679,460.97</b>	<b>100.0%</b>	<b>100.00%</b>

Source: KPCS 02/22/2016

## **Imports**

The United States has submitted trade and KP certificate count data by Participant for Q1-Q3 2015. Q4 2015 statistics will be made available on March 31, 2016.

As of to date, the United States imported \$266.5 million worth of rough diamonds in 2015 – a decrease of 54.8 percent from revised 2014 level of \$594.0 million. According to the Census Bureau, the United States imported rough diamonds from 27 KP Participants/approved entities in 2015, including: Armenia, Botswana, Brazil, Cameroon, Canada, People’s Republic of China, Democratic Republic of the Congo, European Union, Ghana, Guyana, India, Israel, Japan, Republic of Korea, Liberia, Mauritius, Mexico, Namibia, Panama, Russian Federation, Sierra Leone, Singapore, South Africa, Switzerland, Tanzania, Thailand and the United Arab Emirates. (See Table 5 below).

Table 5

<b>2015 United States Imports</b>
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U.S. Trading Partner	Sum Volume (Carats)	Sum Value (US\$)	KPC Count
Armenia	490.83	\$141,275.00	1
Botswana	301,319.48	\$46,503,758.57	64
Brazil	906.97	\$1,857,450.00	5
Cameroon	23.60	\$8,434.50	1
Canada	2,062.44	\$768,207.41	13
China, People's Republic of	23,204.46	\$6,537,620.96	17
Congo, Democratic Republic of	8,750.50	\$134,192.53	4
European Union	606,475.40	\$97,052,848.60	336
Ghana	127.65	\$5,266.95	1
Guyana	22,689.59	\$3,342,256.26	10
India	657,093.71	\$3,901,428.57	117
Israel	14,497.32	\$30,505,427.58	62
Japan	23,654.27	\$1,818,850.03	30
Korea, Republic of	21.83	\$752.28	1
Liberia	2,781.46	\$582,365.11	5
Mauritius	0.48	\$386.24	1
Mexico	393.49	\$33,008.22	23
Namibia	1,206.35	\$2,750,619.78	4
Panama	100.00	\$1,000.00	1
Russian Federation	1,423.65	\$8,533,468.00	28
Sierra Leone	147.69	\$125,094.46	3
Singapore	7,234.23	\$2,818,128.44	7
South Africa	812.57	\$12,616,491.00	9
Switzerland	312.43	\$10,810,370.13	4
Tanzania	23.52	\$25,175.22	1
Thailand	186.50	\$48,350.00	1
United Arab Emirates	9,249.11	\$35,540,193.51	14
<b>Totals</b>	<b>1,685,189.53</b>	<b>\$266,462,419.35</b>	<b>763</b>

Source: KPCS 02/22/2016

U.S. imports of rough diamonds are primarily from three KP Participants: European Union (\$97.1 million), Botswana (\$46.5 million) and the United Arab Emirates (\$35.5 million). These top three countries accounted for 67.2 percent of the total U.S. import value of rough diamond shipments in 2015. (See Table 6).

Table 6

2015 Top Three KP Participant Imports by Value (US\$)		
Participants	Value	% of Total Value (US\$)

European Union	\$97,052,848.60	36.4%
Botswana	\$46,503,758.57	17.5%
United Arab Emirates	\$35,540,193.51	13.3%
<b>Top Three total Value (US\$)</b>	<b>\$179,096,800.68</b>	<b>67.2%</b>
All Others Participants	\$87,365,618.67	32.8%
<b>Total US Imports 2015</b>	<b>\$266,462,419.35</b>	

Source: KPCS 02/22/2016

The top three Participant countries by import volume (carats) for 2015 were from India (657,093.71cts), European Union (606,475.40cts) and Botswana (301,319.48cts). These Participant countries represent 92.8 percent of the total imports by volume (carats) of rough diamond shipments in 2015. (See Table 7 below).

Table 7

<b>2015 Top Three KP Participant Imports by Volume (carats)</b>		
<b>U.S. Trading Partner</b>	<b>Sum Volume (carats)</b>	<b>% of Total Volume (carats)</b>
India	657,093.71	39.0%
European Union	606,475.40	36.0%
Botswana	301,319.48	17.9%
<b>Total Top 3 (carats)</b>	<b>1,564,888.59</b>	<b>92.9</b>
All Other Participants	120,300.94	7.1%
<b>Grand Total</b>	<b>1,685,189.53</b>	<b>100%</b>

Source: KPCS 02/22/2016

Import rough diamond shipments are classified under three Harmonized Tariff Schedule codes; 7102.10 (unsorted), 7102.21 (industrial) and 7102.31(non-industrial). The table below reflects the commodity classification code breakout of the U.S. imports of rough diamond statistics in 2015. (See Table 8)

Table 8

2015 U.S. Import Commodity Classification				
HTS Code	Volume (Carats)	Value (US\$)	% of Total Exports Volume	% of Total Exports Value (US\$)
7102.10	24,930.44	\$4,716,170.48	1.5%	1.8%
7102.21	1,170,590.94	\$18,464,202.91	69.5%	6.9%
7102.31	489,668.15	\$243,282,045.96	29.0%	91.3%
<b>Grand Total</b>	<b>1,685,189.53</b>	<b>\$266,462,419.35</b>	<b>100.00%</b>	<b>100.00%</b>

Source: KPCS 02/22/2016

The United States has met all of the statistical reporting requirements in accordance with Annex III of the Kimberley Process Certification Scheme document in 2015.

#### **F. IMPLEMENTATION OF RECOMMENDATIONS OF KP REVIEW VISITS**

The United States continues to implement various recommendations of the 2012 KP Review visit, including improving internal coordination, oversight of licensees and expanding law enforcement efforts.

#### **G. INFRINGEMENTS AND COOPERATION WITH RESPECT TO ENFORCEMENT**

In 2009, the Department of State coordinated a process with CBP and the Smithsonian Institution to transport all forfeited diamonds to the Smithsonian for storage and, consistent with applicable law, possible research determined to be in U.S. government interests.

The United States developed a template for the sharing of information concerning seizures/forfeitures requested by other KP Participants. The United States encourages the use of this template by other Participants. The template was circulated via the Working Group on Diamond Experts and is available on-line at: [http://www.cbp.gov/linkhandler/cgov/trade/trade\\_programs/diamonds/not\\_kim.ctt/not\\_kim.pdf](http://www.cbp.gov/linkhandler/cgov/trade/trade_programs/diamonds/not_kim.ctt/not_kim.pdf)

In July of 2015, CBP issued a notice to the field informing that CBP Office of International Trade maintains a library of KPCS certificates specimens that will serve as a resource.



## **H. MISCELLANEOUS**

### **Technical Assistance: USAID and USGS**

In 2014, the State Department, the U.S. Agency for International Development (USAID), and U.S. Geological Survey (USGS) cooperated to provide technical assistance related to Côte d'Ivoire and Guinea through the Property Rights and Artisanal Diamond Development II (PRADD II) program. In late 2015, PRADD II began activities in the Central African Republic.

PRADD II is a joint State Department/USAID initiative to assist countries in fulfilling their commitment to the KPCS. Launched in 2013, the project aims to clarify and formalize surface and sub-surface resource rights in artisanal mining areas in order to increase the number of rough diamonds entering the formal supply chain and improve the livelihoods of artisanal mining communities.

#### **Central African Republic**

The USAID PRADD I project was active in the Central African Republic (CAR) from 2007-2013. The program at that time, and now as well under PRADD II, supported governments to implement mining best practices and promoted good governance of the mining sector at the international level through the Kimberley Process Certification Scheme. In November 2015, PRADD II received USAID funding to re-enter the Central African Republic, focusing on helping the government re-establish a legitimate conflict-free diamond supply chain in compliance with the KP Operational Framework, as well as support peace-building of all diamond sector actors and communities.

The United States worked closely with authorities from the Central African Republic and other international partners to develop the KP's Operational Framework for Resumption of Exports of Rough Diamonds from the Central African Republic, which outlines a procedure for resumption of the country's rough diamond exports if certain areas of the country implement enhanced measures. The United States provides leadership and actively participates on the KP CAR Monitoring Team, the KP body charged with determining whether a zone in CAR is compliant and can resume exports when certain procedures are met.

Working with the European Union Joint Research Centre (JRC), the USGS continued to monitor mining activities in eastern and western CAR by acquiring

and analyzing high-resolution satellite imagery. Monitoring focused on the eastern mining sites of Bria, Sam Ouandja, Ouadda, and Nzako, as well as the western zone sites of Carnot and Nola. The results of these efforts were shared in a report circulated at June 2015 KP Intersessional in Luanda.

In late 2015, the USGS independently acquired and processed additional high-resolution satellite imagery for the area of the Carnot Sandstone Formation, in the western zone of CAR, which was then analyzed for active diamond mining. This analysis will be used to look at the spatial distribution of active mine sites as well as for estimating artisanal diamond production from that region. Once these calculations are complete they will be transferred to the U.S. Department of State in the form of an Administrative Report.

### **Côte d'Ivoire**

USAID launched PRADD II in September 2013 to assist the Ivorian government in enacting customs and mining regulations and improving systems of diamond production, tracking, and internal controls. Thousands of miners have been registered. The expanded PRADD program in the Côte d'Ivoire consists of four major components: clarification of land and diamond property rights, strengthening governance and internal controls, economic development in artisanal and small-scale mining communities; and public awareness outreach.

PRADD II continues to receive supplemental funding from the European Union under the Instrument for Stability managed by the Service for Foreign Policy Instruments. Under this co-funding arrangement, PRADD II supports a land-use planning process in the two diamond-producing regions of Séguéla and Tortiya, and began a program to support conflict management.

PRADD II worked with the Ministry of Mines to develop a work plan that complies with KP requirement, identifying necessary regulatory changes and integrating modifications in a new Mining Code. Due, in part, to the success of PRADD's activities, Côte d'Ivoire's temporary suspension from the KP and the UN embargo on diamond exports were lifted. The systems put in place are now regarded as some of the most advanced in the world, and the government of Côte d'Ivoire has restarted the monitoring systems allowing diamond diggers, middlemen and exporters to begin to receive earnings through legal exports. PRADD II also provided technical assistance to the government to help re-launch the export system and internal controls. In a significant milestone, Côte d'Ivoire exported 3,000 carats of its first ever KPCS compliant rough diamonds in 2015.

PRADD II's activities were critical in this achievement. PRADD is now providing technical assistance to the Kimberley Process Secretariat to revamp the KP statistics database in preparation of the launch of a mobile data collection system.

PRADD II also assists artisanal mining communities in delineating their village geographical limits, bringing them closer to achieving state-recognized surface rights. The PRADD II program established field offices in the diamond-mining areas of Séguéla and Tortiya to facilitate field activities. In 2015, PRADD II helped complete 7 out of 15 boundary segments in Tortiya per the 1998 Land Law, marking the first time that that land security process has ever been launched in a mining zone. In this same community, PRADD II supported the rehabilitation of eight hectares of land primarily farmed by women and established 17 community fields through a farmer-to-farmer extension system with women's agricultural groups. In the Séguéla diamond mining area, PRADD is developing a partnership with the African Cashew Initiative and the Ivorian Cashew-Cotton Council to introduce bee keeping into cashew orchards. Project reports can be found at: <http://usaidlandtenure.net/project/property-rights-and-artisanal-diamond-development-ii-côte-divoire>

During 2015, the USGS continued satellite imagery monitoring of the diamond resources of Séguéla and Tortiya in northern Côte d'Ivoire. Satellite imagery was acquired and used to catalog the location and size of all active diamond mining pits for the year 2015, to quantify trends in the level of mining activity, and to estimate production capacity.

In June, USGS staff traveled to Séguéla with PRADD II staff and representatives from SODEMI to conduct a practical field-based training course in the use of hand augers as a technique for measuring sediment profiles, for the purpose of assessing alluvial floodplain potential for diamond placer deposition. Discussion is ongoing regarding the potential implementation of these methods in future cooperative work between SODEMI, the Direction Nationale de Mines, USAID's PRADD II project, and the USGS in identifying additional artisanal mining zones. The USGS has since then created a fieldwork plan for these partners to continue hand auger sediment data collection.

The USGS completed the land cover change analysis for the Tortiya area of interest for 1968 to 2014. An Administrative Report was given to PRADD II showing the results of the land change trends. Final work on this project entails submission of the analysis and findings to a peer-reviewed journal.

The USGS also continued to work with the JRC to refine their jointly-developed technique of identifying and quantifying active mining sites from high-resolution satellite imagery. They are currently working on a joint report to publish this methodology.

### **Guinea**

In September 2013, USAID resumed artisanal diamond mining work for the first time since the 2009 coup that forced the closure of the previous USAID project. During this hiatus, new mineral deposits and alluvial diamonds discovered across the country have resulted in the mining sector becoming one of Guinea's biggest revenue sources. Despite the 2014/2015 Ebola crisis, PRADD II continued to advance project implementation in the Forécariah prefecture, which has seen artisanal diamond mining since 2009. As a result of PRADD II's support to the Ministry of Mines and Geology in utilizing e-tablets to register diamonds collected at mining sites, diamonds produced in Forécariah were registered for the first time in 2015. PRADD II also helped the Ministry establish and equip the Artisanal and Small Scale Mining (ASM) database required for KPCS compliance.

PRADD II also conducted policy dialogues to promote recognition of customary tenure in diamond-mining areas and the final report for the baseline for an impact evaluation is being completed. PRADD II also continues to collaborate with the USGS in a project for the geological modeling of potential diamond mining sites using innovative new technology, collecting nearly 50 geomorphological samples required for the exercise. The community livelihood diversification component gathered momentum, providing various assistance to 10 community agricultural associations with registration and technical assistance in farming techniques. Project reports can be found at: <http://usaidlandtenure.net/project/property-rights-and-artisanal-diamond-development-ii-guinea>

In 2015, the USGS team furthered their development of a diamond potential map of the Forecariah watershed in western Guinea, continuing to focus on the four principal tasks that are prerequisites for developing a diamond potential model: digital elevation model (DEM) production, digital surface model (DSM) production, topographic map production, and UAS imagery site map production. The USGS finished generating high-resolution (1 m) DEMs and DSMs, for the Forecariah watershed, which will be used to derive the diamond potential model. The USGS completed the creation of a detailed 1:100,000 scale topographic map using the topographic map database derived from high-resolution satellite imagery that incorporates all streams, roads, towns, and several other geographic features,

as well as land cover within the watershed. A twenty-one 1:25,000 scale topographic map series was also created, covering the same area. Using the imagery collected by the UAS, the USGS also created very-high-resolution orthophotos, which were used to produce maps of each of the sites visited in June 2014.

After the trip to Côte d'Ivoire in June, the USGS created a fieldwork plan for the staff of USAID's PRADD II Guinea project, which used the technique of hand auger sediment data collection to aid in the development of the diamond potential map. Data has been collected by PRADD II staff and sent to the USGS, where it is currently being analyzed.

The USGS also continued to develop their methodology for using UAS imagery to aid in fieldwork, the results of which will be submitted to a peer-reviewed journal.

#### **West African Diamond Database**

Since 2007, the USGS has been working to develop and compile a comprehensive diamond database of West Africa. At present, the database includes the countries of Mali, Ghana, Guinea, Côte d'Ivoire, Sierra Leone, Liberia, Burkina Faso, and the Central African Republic. A Geographic Information Systems (GIS) database containing known primary and secondary diamond occurrences in West Africa is being developed and includes information on the geographic location, deposit type, and characteristics of the diamonds. The database is frequently updated as new deposits and mining areas are discovered and as artisanal miners move to new locations. Research continues on the compilation of information on other countries in the region. In addition to information on diamond deposits, geologic and base map features have also been compiled as part of the West African Diamond Database at a scale of 1:1,000,000.

In 2015, the database was updated in Guinea and Côte d'Ivoire. Moreover, significant progress was made in the Central African Republic. Several additional sources of diamond location data were incorporated into the database, including historical maps, fieldwork completed by PRADD in 2008, and CY 2015 high-resolution satellite imagery.

### **Other KP Activities**

The United States actively participates in each of the KP Working Groups and in 2015, led KP Peer Review Visits to Mexico and the United Arab Emirates and participated in Review Visits to the European Union and the Central African Republic.